

Chief Warrant and Warrant Officers Association
United States Coast Guard



**PERMANENT FINANCE COMMITTEE (PFC)
HANDBOOK**

Edition 2019

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TABLE OF CONTENTS

HANDBOOK PURPOSE	1
THE PERMANENT FINANCE COMMITTEE (PFC)	1
COMMITTEE OBJECTIVE	1
MEMBERSHIP QUALIFICATION	1
APPOINTMENT	2
COMMITTEE AUTHORITY	2
COMMITTEE CHAIR	2
RECORD KEEPING	3
PARTICIPATION	3
SUB-COMMITTEE CHARTERING	3
REPORTING	4
<i>Presentation</i>	<i>6</i>
<i>Minority Report</i>	<i>6</i>
FINANCIAL BASICS	7
UNRESTRICTIVE ACCOUNTS (URA)	8
TEMPORARY RESTRICTIVE ACCOUNTS (TRA)	8
PERMANENT RESTRICTIVE ACCOUNTS (PRA)	9
INVESTMENT EVALUATION	10
<i>Investment Listing</i>	<i>10</i>
<i>Evaluating Liquidity Risk</i>	<i>11</i>
<i>Evaluating Reserves</i>	<i>11</i>
INVESTMENT EVALUATION STEPS	12
<i>Evaluating Return on Investments (ROI)</i>	<i>12</i>
INVESTMENT EVALUATION SPREADSHEET	12
BUDGET EVALUATION AND DEVELOPMENT	14
STEPS TO DEVELOPING A BUDGET	14
<i>Budget Period</i>	<i>14</i>
<i>Financial and Achievement Review</i>	<i>14</i>
<i>Set Program and Organizational Goals</i>	<i>14</i>
<i>Estimate Expenses</i>	<i>14</i>
<i>Estimate Anticipated Revenue</i>	<i>14</i>
<i>Resources Under Development</i>	<i>15</i>
ADJUSTMENTS	15
FINANCIAL EVALUATION SPREADSHEETS	15

HANDBOOK PURPOSE

It is the purpose of this handbook to provide information for both the new volunteer and individuals that have sat on the CWOA PFC many times. It contains only the basic information for one to understand the purpose and the tasking that the committee members are required to perform. This is only a guide; the current Association By-Laws and PFC Charter should be referenced for specific procedures.

COMMITTEE OBJECTIVE}

The Permanent Finance Committee (PFC) as established per the CWOA Bylaws Article V Committees Section 2. Permanent Finance with at least nine members and is promptly appointed after the Annual Meeting. The objectives of the committee are:

1. Review, report and recommend changes of the investments of the Association funds.
2. Prepare a budget during the third quarter of the fiscal year for the following fiscal year.
3. Review and recommend on proposed expenditures in excess of \$5,000.
4. Ensure no more than 50% of the Association's funds are invested in mutual funds.

- This might change

The 2016 Annual CWOA Executive Committee established the following additional tasking by motion:

1. Acceptance of the CWOA Budget Policy, procedures for working with an approved budget. Paragraph 3 task the PFC with evaluating the budget at the end of each fiscal quarter and providing a report to the CWOA Executive Committee by the end of the first week of each quarter with any recommendations for adjustments.
2. That the PFC Chair be authorized to discuss with a certified Financial Counselor to identify specific investments as recommended in the PFC investment evaluation report.
3. That the PFC shall review the current investment strategy and provide recommended changes to the Executive Committee

QUALIFICATION FOR MEMBERSHIP

To qualify as a member of the PFC one must be a member in good standing with the Association. All elected members of the Board of Directors are automatically appointed to the committee as per the Association Bylaws. Any other Association member who wishes to participate on the committee should submit their name to the President prior to or during the Annual meeting. Once their status in the organization has been verified the President will select from the list those to be included on the committee.

Past President?

The committee is usually composed of the six BOD members and three Association members, a total of nine members. More can be included, but it is important not to have too many individuals on such a committee or it will be difficult to conduct business.

It is common practice that the Association Executive Director be included on all PFC meetings, since they work with the organization finances on a daily basis, it makes it easier to get answers.

APPOINTMENT

Committees appointments are covered in the RONR (11th ed.) p. 492, II 12 Appointment of Committees and the Association By-Laws Article V Committees.

The PFC is a “standing committee” RONR (11th ed.) p.490 II. 32 “...constituted to perform a continuing function, and remain in existence permanently or for the life of the assembly that establishes them.”

Since the PFC is a standing committee and appointments must be completed promptly after the Annual Meeting, all those interested should contact the Association President prior to such meeting and indicate their intentions to volunteer.

Once such appointments have been made the Association President should notify all on the committee. Further, if the current PFC Chair has not set the next meeting within 30 days after the Annual Meeting, then the Association President shall set the time, date and location of such meeting.

COMMITTEE AUTHORITY

The Permanent Finance Committee (PFC) has not been provided any authority by the Association Membership to take action, thus they can only provide advice and recommendations concerning the investments and financial health of the Association. Care must be taken that those acting on such recommendations have the authority under the CWOA Bylaws, Standing Rules or Policies.

COMMITTEE CHAIR

The committee chair is selected prior to the end of the 4th FY Quarterly PFC meeting after the appointments have been made or as quickly as possible if a prior committee chair has resigned.

RONR (11th ed.) p.449 II. 8 “The presiding officer of an assembly --...--should be chosen principally for the ability to preside. This person should be well versed in parliamentary law and should be thoroughly familiar with the bylaws and other rules of the organization – even if he or she is to have the assistance of a parliamentarian.”

The duties of the committee chair are:

1. Open meetings at the appointed time.
2. To announce the order of business
3. To recognize members entitled to the floor.
4. To state and put to vote all questions that legitimately come before the committee
5. To protect the committee from obviously dilatory motions
6. To enforce rules of debate, to ensure order and decorum
7. To expedite business

The main requirement for anyone to chair a committee is to have sound leadership qualities, this person does not need to have the knowledge of the committee tasking, but they need the respect of the committee members. This individual must have the ability to put personal conflicts aside and guide others to stay focus on the goals of the committee. They should provide an intellectual atmosphere conducive to the stimulation and interchange of ideas. By keeping order everyone is encouraged to communicate openly, thus achieving mutual understandings and becoming an effective committee for the Association.

RECORD KEEPING

A record of the committee work is important to ensure documentation of the discussions and decisions performed by the committee membership. The accuracy of committee minutes is important to not only complete the final report to the Association, but to provide historical data to future similar committees such that they do not “Reinvent the wheel.” It is not important to record who said what, but to record what was done at a meeting.

PARTICIPATION

The importance of committees within the CWOA is a valuable process and necessary activity. As a body of one or more members they consider and investigate matters of interest to the Association to conclude actions or recommendations on certain matters. Without the dedication and hard work of those on a committee such subjects must be discussed in length and without the necessary knowledge to make sound decisions. The ability to conduct research, discuss thoughts and obtain professional advice enable committees to make sound and productive decisions. They provide a more detailed attention to the subject than is possible during the general assembly of the Association.

An active committee is very important; thus, it is very important for each member of the committee to complete their task within the time set by the chair. This will complete a part of the puzzle that the committee has been assigned, the big picture is then provided by the chair to the whole committee to develop ideas and recommendations. Further, participation by all assigned committee members is important to insure a broad spectrum of knowledge and development of sound recommendations.

SUB-COMMITTEE CHARTERING

As allowed under RONR and due to the size of the PFC the chartering of sub-committees are necessary to review the different funds and investment opportunities. Further, this allows the committee to break-out to small groups to research and review key issues of the Association concerning the financials and investments. Thus, the PFC is enabled to provide sound advice and recommendation to the Association membership concerning such matters.

All such sub-committees should be chartered by a motion from the PFC during a regular scheduled meeting and should include the tasking required. Sub-committees only report directly back to the membership of the PFC chair. Documentation is important for such sub-committees to ensure the information uncovered during research and the conclusion arrived are available for future PFC to provide advice and recommendations without having to “reinvent the wheel”. Further, such documentations provide a starting point if looked at again by a future PFC to reduce the work load in determining the proper course of action.

REPORTING

The final results of the committee work is presented to the assembly in form of a committee report along with supporting documentation for recommendations. It is important to note that unless such recommendations are put to a motion that no action is required. However, those in the assembly may ask questions concerning such recommendations, thus it is important for the individual presenting the report to be well versed on the information contained in the report and any such recommendations. RONR (11th ed.) p 503, II 4 provides further guidelines on committee reports.

RONR (11th ed.) p 356, II 8-15 provides the procedure to present motions from a committee. Such motions must be taken up immediately “since the object of the order of business is to give priority to the classes of business in the order listed.” Such committee motions are approved by a majority of the committee members, thus no second is necessary unless presented from a committee of only one individual.

The format of the committee report is up to the organization, but should follow a basic layout for all such reports to ensure all reading it prior to the presentation and in the future can easily understand the context and conclusions. As per RONR (11th ed.) p. 511, II 10 Committee Reports, such reports usually are not addressed or dated. It is understood that the report is addressed to the assembly and the date is the date it is presented in a meeting of the assembly as recorded in the minutes. The report should always be worded in the third person and start with an identification of the committee submitting the report. This will be the name of the committee or the subject that was referred to the committee members. RONR (11th ed.) §51 p. 503, Reports of Boards and Committees provides more information concerning reports, but the basic paragraphs of a committee report are as follows:

- 1) Description of the way in which the reporting body undertook its charge
- 2) Facts uncovered or information obtained
- 3) Findings or conclusions derived from the facts or information
- 4) Recommendations
- 5) Motions if any

Sample report

MEMORANDUM

FROM: yyyy-yyyy Permanent Finance Committee (PFC) *[not proper to state from committee chair]*

TO: CWOA President

CC: Executive Director

DATE: dd mmmm yyyy

SUBJECT: FISCAL YEAR (FY) yyyy-yyyy, *[period]* QUARTER REPORT

1. *Date and type of meeting. Brief description of the way in which the committee evaluated the investments and/or developed the budget.*
2. *A quick review of the current investment status and budget.*
3. *Facts uncovered or information obtained during the investment and budget review.*
4. *Findings or conclusions derived from the review of the investments and budget.*
5. *Recommendations for investment or budget changes.*
6. *Motions if any*

#

PRESENTATION

Presenting and disposing of committee reports are discussed in RONR (11th ed.) p. 506-510 and p. 514-527. The report is usually presented by the committee chair with the exceptions as explained in RONR (11th ed.) p. 506 II 9-15. Such exceptions are if the Presiding Officer at the assembly is also the committee chair, the committee chair does not agree with the report or for any other reason the committee chair does not wish to present the report. Excluding the first exception, the committee members select the presenter to deliver the committee report.

The presentation of the committee report is very important. It is at this time that the facts and information are presented to the assembly. The presenter is providing the findings and conclusions that support the recommendations of the committee and if any, motions from the committee. It is the presenter's job to present the report in a manner that supports the recommendations and provides the assembly the information to have constructive debate on the issue. The presenter must maintain composure and refrain from entering any personal opinions during the presentation of the report. Further it is important not to present unrelated information to the assembly. This will only distract the assembly from the point of discussion. All findings should be directed to the presiding officer and no one else present. The presenter should be ready to answer questions concerning the findings.

It should be noted that if the committee report is provided in writing to the assembly prior to the presentation that the presenter does not have to orally present the entire report. They can simply state that the report is presented as distributed and ask if there are any corrections. If the assembly wishes to discuss the report, someone should properly request such as per RONR.

At the conclusion of the presentation the presenter may place any motion(s) before the assembly to take action on the committee recommendations. The presenter should be careful only to present the motion, but not lead into discussion until the presiding officer has placed the question before the assembly. It is after this that the presiding officer will allow the presenter to talk in favor of the motion and open the debate on the acceptance or disapproval of the same to the assembly.

Once all the recommendations have been presented and any motions acted upon the presenter's job is completed and the committee's report is on the record.

MINORITY REPORT

RONR (11th ed.) p 527 II 24 provides the procedures for those in the committee that do not concur with the committee report. Remember that this is a privilege and not a right, thus it must be accepted by the assembly prior to presentation. Therefore, such reports should be presented prior to a meeting along with a request to present the minority report.

FINANCIAL BASICS

It is not important to have a financial background to participate in the Permanent Finance Committee, a basic understanding is necessary to properly review and evaluate the Association finances. RONR (11th ed.) P 461 describes the responsibilities of the officer entrusted with the custody of the organization funds. The Association Bylaws

In a non-profit organization revenue is recorded in the month it is received and expenses in the month they accrued. Such entries are placed in the books of the organization, in older times this was hand written into journals, in modern times the books are often kept in electronic entries. These journals were also called the organizations ledgers, the main accounts entries are called the general ledgers (GL) accounts.

As in any such journal it is important to understand the layout of the account, called the “Chart of Accounts”. This describes each account, its use and the level in relation to other such accounts. There are five (5) accounting elements *asset*, *liability*, *equity*, *income* and *expense*. The following basic example of each element shows the suggested normal GL numbering and “T” accounting structure:

<p><u>ASSETS</u></p> <table style="width: 100%; border-collapse: collapse;"> <tr> <td style="text-align: center; width: 50%;">1000</td> <td style="text-align: center; width: 50%;">1999</td> </tr> <tr> <td colspan="2" style="text-align: center;">Debit Balance</td> </tr> <tr> <td style="border-right: 1px solid black; text-align: center;">Debit</td> <td style="text-align: center;">Credit</td> </tr> <tr> <td style="border-right: 1px solid black; text-align: center;">+</td> <td style="text-align: center;">-</td> </tr> </table>	1000	1999	Debit Balance		Debit	Credit	+	-	<p><u>LIABILITY</u></p> <table style="width: 100%; border-collapse: collapse;"> <tr> <td style="text-align: center; width: 50%;">2000</td> <td style="text-align: center; width: 50%;">2999</td> </tr> <tr> <td colspan="2" style="text-align: center;">Credit Balance</td> </tr> <tr> <td style="border-right: 1px solid black; text-align: center;">Debit</td> <td style="text-align: center;">Credit</td> </tr> <tr> <td style="border-right: 1px solid black; text-align: center;">-</td> <td style="text-align: center;">+</td> </tr> </table>	2000	2999	Credit Balance		Debit	Credit	-	+	<p><u>NET ASSETS</u></p> <table style="width: 100%; border-collapse: collapse;"> <tr> <td style="text-align: center; width: 50%;">3000</td> <td style="text-align: center; width: 50%;">3999</td> </tr> <tr> <td colspan="2" style="text-align: center;">Credit Balance</td> </tr> <tr> <td style="border-right: 1px solid black; text-align: center;">Debit</td> <td style="text-align: center;">Credit</td> </tr> <tr> <td style="border-right: 1px solid black; text-align: center;">-</td> <td style="text-align: center;">+</td> </tr> </table>	3000	3999	Credit Balance		Debit	Credit	-	+
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Asset accounts – referred to as a “debit account”, increasing attribute on the debit side. Cash, bank, accounts receivable, inventory, land, building, furniture, equipment, supplies, vehicles, trademarks, prepaid expenses, investments, donations and grants.

Liability accounts – referred to as a “credit account”, increasing attribute on the credit side. Accounts payable, salaries and wages payable, income taxes, bank overdrafts, and accrued expenses.

Net Assets accounts – referred to as a “credit account”, increasing attribute on the credit side. Capital, retained earnings, accumulated funds, and scholarship funds.

Income/Revenue accounts – referred to as a “credit account”, increasing attribute on the credit side. Dues received, donation received and interest from investments.

Expense accounts – referred to as a “debit account”, increasing attribute on the debit side. Telephone, water, electricity, repairs, salaries, wages, depreciation, stationery, utilities,

It is important that **ASSETS = (LIABILITY + NET ASSETS)** thus balancing the organization book. Understanding this and the organizations chart of accounts is all the basic accounting necessary to evaluate the financial records, evaluate the investments and developing a budget for the organization.

A few terms used in non-profit organization describe how revenue is collected and expenses are categorized. Functional classification is a method grouping revenue and expenses according to the purpose. The basic classification is “Unrestrictive” or “Restrictive” accounts. Unrestrictive accounts have no specific purpose or requirement for collection or expenditure of the funds. Restrictive account has a specific purpose or requirement, revenues stipulated for a specific purpose and expenditures that are guided by the Association Bylaws or other regulations. It is important that all revenue and expenditures are properly classified to ensure they are used in accordance with IRS Regulations and the intentions of the organization’s membership.

Unrestricted accounts (URA)

Revenues, Dues, Donations and Interest from unrestrictive investments, must not be restrictive by the bylaws, donors or the type of investment. Funds in this classification can be used for any purpose in accordance with the Association Bylaws.

The goal of unrestricted investments should be to match 1/3 of the total yearly expenditures of the Association or exceed this amount. Thus, by obtaining such goal you can ensure that membership dues are kept low. Reserves funds should equal, but not exceed, five years of expenditures.

Temporary restricted accounts (TRA)

Revenues, Dues, Donations and Interest from temporary restrictive investments, funds specified by the donor, bylaws or program establishment on how they can be used. Such accounts have restrictions of an event, time or an amount that must be obtained prior to the expenditure of the funds. Temporary restricted accounts of the CWOA are:

Programs

CWO News, regular production of the CWOA Newsletter as per the bylaws.

Annual Meeting – Administrative, as per the CWOA bylaws, membership meeting held annually to conduct Association business.

Annual Meeting – Chapter Representatives, as per decision passed at Annual Meeting to pay for travel, motel and meals for CWOA Chapter representative attending such meeting.

Marketing the Association, as per decision passed at Annual Meeting to pay for marketing the association and increasing membership.

CWO Professional Development

Annual Holiday Party

Building Fund, created by motion during a National Council meeting on 19 Sep 1985, voted to continue fund during National Council meeting on 9 Jan 1987. Purpose of fund to maintain headquarters and ensure the future location of the Association office. Returns from the fund provide for fund growth, to support regular maintenance, repairs and replacement cost.

Goal is to maintain 10% of the value of the barge/office space for maintenance and/or repairs. The overall goal is to equal the value of the barge/office space.

8-9
Sep 1988

OLD BUSINESS

By agreement of the members present, the Scholarship Committee recommendations concerning paragraph 5 of the By-Laws and Paragraph 6 of the Eligibility requirements were moved to new business to be considered with all other changes to the Scholarship Grant.

NEW BUSINESS

The following action was taken on the Scholarship Committee's recommendations and motions from the floor concerning the Scholarship Grant:

a. The Committee recommendation to include current spouses as eligible for grants failed for lack of a second.

b. A motion was made, seconded and carried to adopt the Committee's recommendation to change paragraph 5.b. of the By-laws to "May" in lieu of "July".

c. Max Laing made a motion which was seconded and carried to change paragraph 5.b. of the By-laws to read: "5.b. Grants in the amount of \$750 (the number of awards at the discretion of the Committee) not to exceed 1/3 of the available funds) will be presented in May of each year to the most deserving eligible candidates. Funds are to be used toward educational expenses at an accredited institution of higher learning beyond high school."

d. Bob Lewis made a motion which was seconded and carried to delete paragraph 5.c. of the By-Laws.

e. Bob Lewis made a motion which was seconded and carried to change paragraph 5.d. of the By-Laws from "May" to "March" where it appears.

f. Bob Lewis made a motion which was seconded and carried to strike paragraph 2 of the Eligibility Requirements.

g. Bob Lewis made a motion which was seconded and carried to move paragraph 3 of Eligibility Requirements to an unnumbered paragraph under Section VII of the Rules and Regulations.

The meeting recessed at 1603.

The meeting reconvened at 0829, 9 September 1988.

The President reported that the Special Committee on Distinguished Membership nominations had met the previous evening and elected CWO Carl Seale to Distinguished Membership.

(Scholarship motions continued)

h. A motion was made, second and carried to change paragraph 6 of the Eligibility Requirements to read: "The receipt of a grant from this fund in any given year would not exclude an applicant from receiving another grant in subsequent years."

Life Membership Fee Fund, a committee was formed by motion during a National Council meeting on 14 Sep 1989 to determine an appropriate fee for lifetime membership. During the National Council meeting on 26 Apr 1990 the fee was established. Returns from the fund provide for fund growth and annual dues for Life Members.

Goal of the fund is to provide enough returns from investments to cover the yearly dues. In the event that the fund is returning more than the yearly dues of each Life Member, then this helps to reduce the fee of those wishing to become Life Members.

Death Gratuity Benefit Fund, created by motion during the National Council 21 Feb 1947 meeting, originally to support survivors during WWII. Trustee Fund established at the National Council meeting on 28 Apr 1950 Fund balance noted during National Council meeting on 22 Aug 1958 at \$19,847.07 then disappeared in the records. Formula for funding of fund established at the National Council meeting on 7 Jun 1957, 4 x \$400.00 x Computed Number of Deaths in year equals the amount to transfer to the fund each year. Returns from the fund provide growth and grant payouts.

The goal is to provide enough returns of investments to pay the yearly payout of grants to deceased member's beneficiaries. If 1/3 or greater of the yearly payout is returned in addition to the yearly payout amount this will provide growth of the fund.

Permanent restricted accounts (PRA)

Revenues, Dues, Donations and Interest from permanent restrictive investments, funds specified by the donor, bylaws or program establishment on how they can be used. Such accounts have restrictions that specify the collection and expenditure of the funds. Permanent restricted accounts of the CWOA are:

Keller Scholarship Grant, concept approved in a motion during the National Council meeting on 15 May 1975, current name was established by motion during the National Council meeting on 22 Oct 1980, current limit of \$750.00 per grant was established by motion during the National Council meeting on 8 Sep 1988.

Governing Board is specified in CWO John A. Keller-CWOA Scholarship Grant Standing Rules and Regulations, Section III. This places the control the fund in the hands of the appointed committee, thus any recommendations concerning the funds should be directed to such committee for action.

The grants are \$750 each, the number of awards is at the discretion of the committee, not to exceed 1/3 of the available funds. All funds expended for grants must be either contributions (donations) to the grant or income (returns from investments) from grant funds.

Colona Scholarship Grant, approved during General Membership meeting on 30 Apr 2009, funds donated by Art and Eleanor Colona entrusted to CWOA to provide scholarships.

Governing Board is specified in The Art and Eleanor Colona Scholarship Program Standing Rules and Regulations, Section III. It is not specific, but it is implied that control of the fund is the responsibility of the appointed committee, thus any recommendations concerning the funds should be directed to such committee for action.

All funds expended for grants will be taken from the income earned (returns from investments) by the assets in the program. Grants must be fully funded prior to being awarded; each grant is \$4,000.00.

Not in these mins.

Not what she says.

INVESTMENT EVALUATION

The first step to evaluating the Association Investments is to review the CWOA Bylaws looking for any requirements related to the Investments of the organization. Next you should review the CWOA Investment Policy and specific Funds Policies. Such a policy provides the investment strategy, goals, procedures for safekeeping and authorization to purchase/sell of the organization investments. Finally, you should review the Association Financial records to understand the investment strategy and to verify the effectiveness of such a plan.

Investment Listing

A review of the investment listing is the first step, this list provides the name of each investment, the type, what the investment is used for, the purchase date, the maturity date, the interest rate, the par value, the market value.

The type of investment would be *Cash, Savings, Checking, Bond, Certificate Deposit, Money Market, Mutual Fund, Stock Fund, Electronic Traded Funds (ETF) etc.*

The investment should be grouped to what it used for:

- Unrestrictive
- Temporary Restrictive
 - Program {*CWO News, Annual Meeting – Administrative, Annual Meeting – Chapter Representatives, Marketing Initiative, CWO Professional Development, Holiday Party and etc.*}
 - Building
 - Life Membership Fee
 - Death Gratuity Benefit
- Permanent Restrictive
 - Keller Scholarship Grant
 - Colona Scholarship Grant

The purchase date in the case of Cash, Savings and Checking accounts will be the first day of the fiscal year. For all other investments it is the Settlement Date of the transaction.

The maturity date is blank for Cash, Savings and Checking accounts is left blank, for US Savings Bonds this is 30 years plus the purchase date (the maximum time for such investments to earn interest), for Mutual and Stock Funds this should be 5 years plus the purchase date or the 1 July of the fiscal year whichever is greater.

The investment list should be reviewed for accuracy, this data will be used to evaluate the effectiveness of the investments on providing returns to support the financial needs of the organization. Further, this data is used to provide a brief report to the Association membership of how their funds are invested.

Evaluating Liquidity Risk

Liquidity Risk is the ability of the fund to adequately provide for expenditures 3-9 months without incurring a fee or other cost due to cashing in an investment early. Liquid funds are those funds that gain interest (Savings, Checking, and Money Market accounts), but do not have a fee or other cost if withdrawn early. Investment maturing within 3 months (90 days) or less are included in liquid funds determination.

To determine the fund's liquidity risks the amount normally expended within a three-month period must be determined. The total amount in savings, checking, money market and investments less than 3 months is divided by the three-month expenditures to get the Liquidity Risk Ratio (LRR). The formula for such calculation is as follows:

Liquid Funds (LF) – Savings plus checking plus money market plus three-month maturing investments.

3 Month Expenditure (ME) – Three-month expenditures of fund

Liquidity Risk Ratio (LRR) = Liquid Funds (LF) / 3 Month Expenditure (ME)

As Liquid Funds (LF) increases then the Liquidity Risk Ratio (LRR) increases, as the LRR increase and approaches 100% then the fund provides enough to maintain normal requirements of the fund. As the LF decreases the LRR will decrease, placing the fund at risk of not providing the required funds to operate as designed. If the LRR equals 100% or more than more funds are in a liquid state than is necessary, it is better it invest such excess funds long term investments with higher returns.

Evaluating Reserves

The reserves of a fund provide sustained long-term operation and ensure growth of the fund. To determine that adequate reserves exist you must calculate the liquidity risk and the five-year expenditure for the fund. A low reserve ratio indicates inadequate reserves, while a high reserve ratio indicates appropriate reserves. The formula to calculate adequate reserves is:

Liquid Reserves (LR) – three-months expenditure times Liquidity Risk Ratio (LRR)

Five-Year Reserves (FYR) – average three-year expenditures times five

Reserve Ratio (RR) = Total Reserves (TR) / (Liquid Reserves (LR) + Five-Year Reserves (FYR))

As reserve funds increase then the Reserve Ratio (RR) increases, indicating the fund is adequately performing for the long term. If the reserve funds decrease the RR will decrease indicating that the funds need to be in a growth stage to provide long term sustainability.

Return on Investments (ROI)

The return on investments indicates the performance of the fund. To determine the ROI you take the current total return of the investment divided by the original principle. In the case of savings, checking or money market accounts the original principle is the balance at the beginning of the fiscal year (FY).

Fund Principle (FP) – original purchase principle or FY beginning balance

Returns Paid (RP) – increase in balance or the total amount paid in dividends/interest to date.

Return on Investment (ROI) = Returns Paid (RP) / Fund Principle (FP)

A positive ROI indicates the fund is gaining, the amount of ROI is how well it is performing. The ROI in relation to the estimated gains indicates if the fund is moving fast enough in the direction required. A negative ROI indicates the fund is losing money and quick action is necessary to avoid losing the full principle.

CWOA PFC Investment Evaluation MS Excel workbook

Workbook Notes and Usage – A brief description of the spreadsheet and what the workbooks contain.

Summary – The summary results of the data from the “Funds Listing” workbook tab, this is calculated data, only thing that requires user input is the “Date”. The date will populate throughout the spreadsheets.

Funds Summary – This is a calculated workbook, it sums the funds into the type of accounts and calculates the percentages based on the established strategies.

Donations Received – This workbook requires user input for the data, it holds the monthly donations received for the specific programs and/or funds. The top part is per each month, the bottom part totals the donations year-to-month.

Fund Goals – This workbook requires the user to input total Regular, Life and Distinguished Members and the total number of Active Chapters. The calculations performed use the donations received data, fund expenditures and returns to estimate what donations are required for the fiscal year to meet the goals set for each specific fund. The calculated data is only used to estimate the donations needed to meet these goals by the membership and chapters. It was developed to assist in providing information for fundraising purposes to members/chapters.

Estimated Needs – This workbook calculates the expenditure of the fund in relation to the returns on investments. For informational purpose and to observe if the returns are providing adequate funding to keep the programming operational without being a burden to the Association.

10yr Historical Needs – This workbook contains data calculated in the “Estimated Needs” workbook for reference back ten years.

Investment Schedule – This workbook breaks out the amount of funds in relation to the type of investments and the rate of return for each type is calculated. It uses the data in the “Funds Listing” workbook to calculate this information and the time frame that total amounts will be maturing. This workbook is used to plan for when funds will be available for reinvesting or use if necessary.

Funds Listing –This workbook provides a listing of all the investments the Association is responsible for managing. The “Market Value” must be updated each time the date is changes. “Par Value” is the original amount invested in the item. Except in the case of Savings, Checking or Money Market accounts, this value is equal to the balance as of the beginning of the fiscal year that was in the account.

CWO News Assets –This workbook was created by direction of a motion during a General Session meeting of the members. This data is pulled from the “Funds Listing” workbook to provide a press release document in the format specified by the motion for publication in the CWO News each quarter. The intent is to keep the membership informed of the asset balances and change rates.

Keller Scholarship –This workbook was created to calculate the number of grants that are eligible for awarding as specified in the scholarship standing rules.

Colona Scholarship –This workbook was created to calculate the number of grants that are eligible for awarding as specified in the scholarship standing rules. Further, it tracks the amount of funds that are obligated by previous awards.

Sweep Calculations –This workbook calculates excess funds that can be reprogrammed into other investment tools to be used as specified in the fund creation or provide growth. It is used to develop recommendations for reprogramming investments and diversifying the fund.

Loss worksheet –This workbook is used to determine the calculated loss of a mutual funds effect on the specific fund. The data is linked to what is being evaluated or manually inputted by the user. This data is used to justify selling a mutual fund and reprogramming to something to performs better to the needs of the fund under review.

BUDGET DEVELOPMENT AND EVALUATION

The CWOA Bylaws requires the PFC to prepare a budget during the third quarter of the fiscal year for the following fiscal year. Such a budget should:

1. Anticipate earnings from investments
2. Anticipate earnings from dues and other sources
3. Estimate normal operating cost, and other expenses
4. Estimate salaries
5. Estimate death benefits
6. Recommend minimum investment that the association should make the next fiscal year in order to meet the future financial responsibilities.

General Accounting Principles (GAP) describes seven key steps to developing a budget for a non-profit organization:

1. Establish the budget period (one year or multiple years)
2. Review program achievements and financial performance for the prior year.
3. Set program and organizational goals for budget period
4. Estimate expenses, including:
 - a. Fixed costs (staff, rent, taxes, utilities, etc.)
 - b. Variable costs (fluctuate based on activity)
 - c. Incremental expenses (occur when a particular action is taken)
(When a certain amount of money is raised, a new program is launched)
5. Estimate anticipated revenue
6. Plan for needed cash flow and development of cash reserves
7. Adjust to align expense and revenues

An approved budget becomes a tool for monitoring progress and determining areas of refinement. Such budgets should be reviewed quarterly to compare to last quarter and prior year to develop projections for the remainder of the year. A budget should be conservative but practical about what can be raised.

Steps to developing a budget

Budget period

The established budget period of the CWOA is the next fiscal year.

Financial and achievement review

It is important to review the past achievements and financial performance of the prior fiscal year to ensure goals are being met.

Set program and organizational goals

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Estimate expenses

The 2015 CWOA Annual meeting established that for budget purposes the estimated expenses cannot exceed 3.0% of the past years expenses.

Estimate anticipated revenue

The Association mainly relies on dues as the source of income, but donations and interest from investments provide additional funds. A key to estimating revenue is to remember that this is the amount that should be collected if all dues are paid, donations and interest from investments are only an estimate.

Resources under development

A non-profit organization should never develop a “Negative Budget”, revenue sources should be adjusted to provide the necessary income or fund raiser programs should be developed.

Adjustments

The final stage is to tweak the proposed budget to ensure that all programs are funded and that adequate reserves are developed.

CWOA PFC Financial Evaluation MS Excel workbook

Approved Budget—This workbook holds the data for the approved budget amounts for the current fiscal year. The data only has to be updated/changed if the CWOA Executive Committee approves budget changes.

Financial Position—This workbook is a Balance Sheet view of the Association financials using the data in the spreadsheet. The only user inputs are the date and line item 6, adjusted to provide a balance report.

Financial Evaluation—This workbook provides a look at the calculated key amounts and ratios of the financials.

Line 13 “Earned Income as a percentage of total income” indicates how much this fund is dependent on the overall income of the Association. A higher ratio indicates the dependency on the fund to operate with the income base to the organization.

Line 14 “Self-sufficiency ratio” indicates how well the fund can support its self with the income stream. The closer the number to 100.00% indicates that the fund supports itself from the income stream. The closer to 0.00% indicates that the fund is heavily dependent on the income stream.

Line 15 “Percentage personnel cost” this is how much does it cost to pay someone to manage the fund/operations. Since all the program funds are managed by volunteers of the Association, the only fund is the general or unrestrictive fund. A ratio of 45% to 85% is normal, above 85% indicates that we are need to raise dues or hire less employees.

Line 16 “Functional Cost allocation (admin cost)” this is how much does it cost to administrate the fund. Since there is very little or no administrative cost of all the program funds (the scholarships require pre approval of such expenses) these are 0.00%. A ratio of 0.00% to 30.00% is very good, cost is held to a minimum. Above 30.0% and less than 45.0% is acceptable. Greater than 45.0% ratio should be looked into for reduction of expenses.

Line 17 “Fundraising efficiency” this indicates how much the organization gains in donations/fundraiser events in relation to what we expend to promote the event. The higher ratio to 100.00% the more efficient we are in getting donations. A lower number means we are not getting the best “bang for the buck”.

Line 18 “Debt Ratio” is the total expense of the fund in relation to the total assets. A ratio of 20.0% or less is Great, we are not expending beyond our means. If it is 20.0%-42.0% we need to be concerned. Above 42.0% is something to be concerned about.

Line 19 “Defensive Interval” looks at the short term investments in relation to liquid funds. This means that the organization can operate safely without using long term investments. The lower the ration the better, this should always be below 40.0%.

Line 20 “Source Income” provides a look at where the funds are being pulled from, a higher ration in the “Dues” category indicates a dependency on the membership, high ratio in the

“Donations” category indicates that fundraisers and supporter dependency, high ration in the “Investments” category indicates that the fund is more self-sufficient on itself and not the organization.

Assets–This workbook is the standard **Asset** categories breakout for all the funds. This is where all the other workbooks link back to get the necessary data to perform their calculations. It makes it easier to link the Association financial records to everything.

Liability and Net Assets–This workbook is the standard **Liability and Net Assets** categories for all the funds. This is where all the other workbooks link back to get the necessary data to perform their calculations. It makes it easier to link the Association financial records to everything.

Quicken Balance Sheet - FY–This workbook is the copied printout from the Association Quickbooks data. There is no user input for this data, but you should verify the date is the same that you are evaluating throughout the spreadsheet. Once copied into the workbook both the “Assets” and “Liability and Net Assets” workbook links are updated. This is accomplished by printing this workbook with the data grid information and verifying the links match in the other two workbooks.

Statement of Activities–This workbook is uses the linked data to develop the activities reports for each fund managed. The Total Net Assets at end of year should equal the net assets as reported in Quickbooks.

Receipts– This workbook is the standard **Income** categories breakout for all the funds. This is where all the other workbooks link back to get the necessary data to perform their calculations. It makes it easier to link the Association financial records to everything. The upper right table provides a quick verification that the data is linked to the Quickbooks data if the difference is zero.

Expenditures– This workbook is the standard **Expense** categories breakout for all the funds. This is where all the other workbooks link back to get the necessary data to perform their calculations. It makes it easier to link the Association financial records to everything. . The upper right table provides a quick verification that the data is linked to the Quickbooks data if the difference is zero.

Quickbooks Quicken Profit-Loss by Class –It is important that this be the Quickbooks profit and loss by class report, otherwise the data is not easily broken out for use in the spreadsheet. There is no user input for this data, it is copied in from the report provided by Quickbooks. . Once copied into the workbook both the “Receipts” and “Expenditures” workbook links are updated. This is accomplished by printing this workbook with the data grid information and verifying the links match in the other two workbooks.

CWO News Income-Expenses – This workbook was created by direction of a motion during a General Session meeting of the members. This data is pulled from the other data in the spreadsheet to provide a press release document in the format specified by the motion for publication in the CWO News each quarter. The intent is to keep the membership informed how their dues and donations are being used.

Current Budget Evaluation – This workbook pulls the data from the other workbooks to evaluate if the Association is remaining on track with the approved budget levels. It compares the approved budget to current income/expenses.

Treasurer's Report – This takes the current data and puts it into the report the Association Treasure uses to compare the data and report back to the officers.

Life Membership Transfer–This calculates the expected transfer amount of the Life Membership Dues at the beginning of each Fiscal Year. It further provides a recommended transfer amount from the restrictive fund to an unrestrictive state if funds are not available for the full required amount. It assumes a 2/3 growth rate when less than required, a 1/3 growth rate minimum if required funds are available.

Next FY Proposed Budget–This workbook allows for the adjustments to develop a proposed budget for the PFC to recommend in the next FY during the 3rd quarter period as per the bylaws. This workbook works on data in other areas of the spreadsheet to make these calculations and input from the user to get a “what if” scenario.

Budget Input Sheet–This workbook requires the user to manually input membership and chapter numbers to calculate the expect dues verse what is currently paid to the association. This data is used in several calculation in the spreadsheet and in the proposed budget workbook.

Budget Worksheet–This workbook takes data from other workbooks to assist the PFC in evaluating the proposed budget is within the tolerances required by the Association.

3% Max Calculation–This workbook pulls data from several workbooks to calculate the 3% maximum change allowed by the Association.

Dues Evaluation–This workbook uses the membership data entered in a previous workbook to calculate the current dues expected and compares it to actual collected dues to date. It also provides historical data for past years comparison.

10yr Income-Expenses–This workbook provides the historical data for up to ten years of the Association. This data is manually entered for historical years, but updated automatically for current FY. This is used for quick comparison of the data.

10yr Budgets–This workbook provides the historical data for up to ten years of the Association. This data is manually entered for historical years, but updated automatically for current FY. This is used for quick comparison of the data.

10yr Assets–This workbook provides the historical data for up to ten years of the Association. This data is manually entered for historical years, but updated automatically for current FY. This is used for quick comparison of the data.

Membership Evaluation–This workbook calculates what a members dues provides at the Association, it further includes the effect of limited membership on the cost of the CWO News publication. This should be used when evaluating if the dues should be increased and to what level.

DGBF Report–This workbook calculates what should be in the fund as per the set formula that was established by motion by the Association Membership on 7 June 1957.

DGBF Evaluation—This workbook provides historical data back to the creation of the benefit program and the establishment of the formula on 7 June 1947. It includes the establishment of the Life Membership Fee fund and its effect on the program. It indicates what should be in the account if properly administered from the beginning.

Investment Return Evaluation—This workbook takes a look at the investments returns in comparison to the expenses of the fund. It provides a quick indication of how well the investment program is working.

Budget Process—This is an informational workbook that provides the duties of the PFC as per the Bylaws, General Accounting budget developing steps and key definitions.

